

Even though Manchester United is the one of the leader sports brand in the world, they do not have a credit rating. This prevents investors to invest in this firm. This was one of the main reasons as to why Manchester United used underwriters such as Bank of America, Merrill Lynch, Deutsche Bank AG, Goldman Sachs, JP Morgan Chase & Co., Kohlberg Kravis & Roberts & Co. and Royal Bank of Scotland Group PLC in order to put value to the bond and confidence from the investors' point of view.

The bond was issued in two tranches. The first trench was issued at £250 million providing at 8.75% interest rate and the second trench was issued at \$425 million at 8.375%. Both of these bonds were maturing in the year 2017. Initially £300 million were supposed to be issued and \$325 million, however the rise in interest from American and Asian investors caused the sterling bond to decrease and the dollar bond to increase. The sterling bond was targeted for investors from Great Britain and the dollar part was target to the Asian and United States market. These bonds were not targeted to private investors, as the minimum deal size was £50,000. Research shows that only 50 investors participated in this deal. The Exhibit below shows more detail on these bonds as quoted by EuroWeek on January 29th, 2010

Tranche 1

Amount: pound(s)250m

Call option: Make-whole call at 50bp over Treasury until February 2013. Callable at 108.75 from 1 February 2013. Poison put at 101.

Equity clawback option: Up to 35% at 108.75 until February 2012

Issue/re-offer price: 98.089

Spread at re-offer: 569bp over 4% Gilt due September 2016

Coupon: 8.75%

Tranche 2

Amount: \$425m

Call option: Make-whole call at 50bp over Treasury until February 2013. Callable at 108.38 from 1 February 2013. Poison put at 101.

Equity clawback option: Up to 35% at 108.375 until February 2012

Issue/re-offer price: 98.065

Spread at re-offer: 568bp over 3.25% Treasury due December 2016

Coupon: 8.325%

Maturity: 1 February 2017

Launched: Friday 22 January

Payment date: 29 January

Lead books: JPMorgan, [Bank of America](#) Merrill Lynch, [Deutsche Bank](#), [Goldman Sachs](#), [Royal Bank of Scotland](#), KKR

The bonds when first issued performed very poorly, as seen on the graph below



Figure 1: Price of the Bond from date of issue to March 26th, 2010

This meant that the interest rate that was offered was too low and some analysts expected close to or double digit interest rate. As quoted by the Financial Times, the initial price was set at \$98.089.